POSTRETIREMENT NONPENSION BENEFITS VALUATION
AS OF JANUARY 1, 1994
SUMMARY OF RETIREE CENSUS DATA

	RETIREES & SURVIVING SPOUSES				SPOUSES				GRAND TOTAL		
	UNDER AGE 65		AT LEAST AGE 65		UNDER AGE 65		AT LEAST AGE 65				
	NUMBER	AVERAGE AGE	NUMBER	AVERAGE AGE	NUMBER	AVERAGE AGE	NUMBER	AVERAGE AGE	NUMBER	LIFE INSURANCE VOLUME	AVERAGE AGE
ELEPHONE											
	514	58.7	919	74.2	420	57.7	562	74.4	2,415	$31,738,570	68.1
	1	55.0	0	NA	0	NA	0	NA	1	21,500	55.0
	0	NA	2	70.0	0	NA	0	NA	2	NA	70.0
	1	61.0	0	NA	0	NA	0	NA	1	NA	61.0
	2	59.0	1	75.0	0	NA	0	NA	3	77,098	64.3
	2	58.0	1	70.0	0	NA	1	68.0	4	188,000	63.5
	0	NA	4	77.3	0	NA	0	NA	4	NA	77.3
	1	57.0	2	77.0	1	61.0	2	73.5	6	NA	69.8
	43	58.5	74	72.3	29	58.1	33	72.7	179	2,671,200	66.8
	4	58.3	1	68.0	3	56.7	1	69.0	9	NA	60.0
	2	63.5	0	NA	0	NA	0	NA	2	NA	63.5
	1	63.0	0	NA	0	NA	0	NA	1	NA	63.0
	2	53.0	1	70.0	0	NA	0	NA	3	NA	58.7
.E	6	58.7	0	NA	0	NA	0	NA	6	NA	58.7
	1	57.0	5	76.0	0	NA	0	NA	6	NA	72.8
	1	62.0	0	0.0	0	NA	0	NA	1	NA	62.0
	0	NA	1	66.0	0	NA	1	65.0	2	NA	65.5
	1	64.0	2	69.5	1	64.0	1	68.0	5	4,400	67.0
	2	59.0	4	73.2	3	60.3	2	76.5	11	NA	67.7
.HAM	10	57.1	0	NA	0	NA	0	NA	10	NA	57.1
	8	61.5	11	68.6	2	54.5	1	65.0	22	270,000	64.6
NAGEMENT)	2	57.5	0	NA	0	NA	0	NA	2	197,000	57.5
N	1	63.0	3	70.0	1	62.0	0	NA	5	NA	67.0
	5	57.6	0	NA	2	47.0	0	NA	7	NA	54.6
	19	50.7	0	NA	2	57.0	0	NA	21	NA	51.3
										4,620,750	
	25	60.4	51	72.6	24	59.7	30	70.7	130		67.4
	40	59.8	66	74.2	36	58.5	29	71.7	171		67.1
	694	58.6	1,148	73.9	524	57.8	663	74.0	3,029	$39,788,518	67.6

Data is based on assumption of percent married.

SECTION V

ACTUARIAL ASSUMPTIONS AND METHODS

1. Exhibit A outlines the full set of actuarial assumptions and methods used in our valuation, including a 7.25% discount rate and health care cost trend rates grading down to 5.25% for the year 2006 and thereafter.

2. Under FAS 106, benefit obligations must be allocated over the period of service during which the benefit is earned. For most non-service related benefits, the allocation is level over the period beginning with the date of hire and ending with the date of full eligibility for benefits. For non-service and non-salary related benefits, full eligibility is the date at which the employee first becomes eligible to retire. This is because no additional benefit is earned in exchange for additional service. For salary-related life insurance benefits, we allocated benefits on a level basis over the period from date of hire to expected retirement age. For service-related health benefits, we allocated benefits on a level basis over the period from date of hire to date at which maximum benefits are earned or expected retirement, if earlier.

EXHIBIT A

POSTRETIREMENT NONPENSION BENEFITS VALUATION

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL COST METHOD: Projected unit credit with benefits attributed ratably to service from date of hire until date of full eligibility for benefits. This is the attribution method specified in FAS 106.

DISCOUNT RATE: 7.25% per annum, compounded annually.

MEDICAL PLAN COSTS: The valuation assumed the 1994 total monthly per capita costs for covered individuals as outlined in Exhibit A-1.

MEDICARE COORDINATION: Medicare was assumed to remain the primary payor of benefits for retirees and spouses over age 65.

TELEPHONE DISCOUNT: The cost of telephone discount benefits was included for contract employees and those retirees living outside the local service area. The 1994 monthly costs were assumed as outlined in Exhibit B-1. Unless otherwise indicated, the telephone discount was assumed to grow at a rate of 4.25% per annum (assumed increase in the cost of living) and 35% of current and future retirees were assumed to live outside the local service area.

ADMINISTRATIVE EXPENSES: Expenses were assumed to be included in the medical plan costs. No other administrative expenses were explicitly identified.

MEDICARE PART B PREMIUMS: As indicated in Exhibit B-1, certain Companies reimburse retirees and spouses the cost of Medicare Part B premiums. Unless the benefit is frozen, the valuation reflects the following schedule of Part B premium increases for 1994 through 1997 and 4.25% annual increases thereafter.

Year	Premium
1994	$41.40
1995	46.10
1996	49.79
1997	53.77

HEALTH CARE COST TREND RATES: Medical plan costs were assumed to increase by the following percentages each year:

Year	Medical Trend	Dental Trend
1994	12.00%	8.00%
1995	11.20%	7.72%
1996	10.46%	7.46%
1997	9.76%	7.20%
1998	9.11%	6.95%
1999	8.50%	6.71%
2000	7.94%	6.48%
2001	7.41%	6.26%
2002	6.92%	6.04%
2003	6.46%	5.83%
2004	6.03%	5.63%
2005	5.62%	5.44%
2006 and after	5.25%	5.25%

DEDUCTIBLE LEVERAGING: Benefit costs will increase faster than the medical trend rates above due to the erosion of fixed dollar deductibles. Our valuation assumed that the effect of deductible leveraging will increase the 1994 medical trend by 0.59%. It was assumed that this leveraging effect wiii decrease geometrically by 10% each year

SPOUSES WITH MEDICAL COVERAGE: For current retirees of Rochester Telephone Company and Highland Telephone Company, representative values of the percentage of retirees assumed to have covered spouses are as follows:

Age	Male Retirees	Female Retirees
55	83%	60%
60	84	49
65	86	36
70	81	27
75	75	16
80	66	8
85	53	5
90	37	3
95	14	1

For other current retirees, actual enrollment information was used. If the spouse's date of birth was not available, husbands were assumed to be 4 years (3 years for Vista) older than their wives. For all future retirees, it was assumed that 75% of males and 45% of females will have covered spouses at the time or retirement. The cost for any dependent children was assumed to be implicitly included in the spouse per capita costs.

ELECTIONS: Reported census data was used to identify current retirees with welfare benefits. 10% of future retirees at Rochester Telephone Company - regulated and deregulated management, Ausable Valley management, Highland Telephone management, Mt. Pulaski, Schuyler, Sylvan Lake management, Thorntown, Seneca Gorham and Viroqua Telephone Companies were assumed to waive medical coverage. Other than Vista, all other employees who become eligible for retiree welfare benefits were assumed to participate because the current programs are generally non-contributory. At Vista, where the current medical plan is contributory, bargaining employees retiring on or after 1/1/96 and non-bargaining employees retiring on or after 1/1/94 were assumed to participate in the medical plan as following table:

Service at Retirement	% Participate
< 15 years	NA
15-19 years	63%
20-24 years	77%
25-29 years	89%
30+ years	92%

SALARY INCREASES: Representative values of the assumed annual rates of future increase are as follows:

Age	Annual Rates of Salary Increase
25	7.2%
30	5.2%
35	5.1%
40	5.0%
45	5.0%
50	4.9%
55	4.9%
60	4.9%
65	4.8%
69	4.8%

DEATHS AFTER RETIREMENT: According to the 1984 George B. Buck Mortality Tables for men and women for healthy retirements. According to the 1988 U.N. Disability Mortality Tables for men and women for disabled retirements.

NORMAL RETIREMENT: Age 65 for Sylvan Lake Non-Management. Age 70 for all other telephone companies.

MISCELLANEOUS: The valuation was prepared on an ongoing-plan basis. This assumption does not necessarily imply that an obligation to continue the plan actually exists.

SEPARATIONS FROM ACTIVE SERVICE: The following tables show representative values of the assumed annual rates of termination, disability, death and retirement prior to normal retirement.

Sylvan Lake Non-Management

	Annual Rate of		
Age	Withdrawal and Vesting	Retirement	Death
		Men	
25	8.9%	--	.1%
30	6.9	--	.1
35	5.5	--	.1
40	4.9	--	.2
45	4.4	--	.3
50	3.7	--	.5
55	5.0	5.0%	.9
60	10.0	10.0	1.3
62	25.0	25.0	1.6
64	20.0	20.0	1.9
		Women	
25	8.9%	--	--
30	6.9	--	.1%
35	5.5	--	.1
40	4.9	--	.1
45	4.4	--	.2
50	3.7	--	.3
55	5.0	5.0%	.5
60	10.0	10.0	.8
62	25.0	25.0	.9
64	20.0	20.0	1.1

Vista

Annual Rate of

Age	Non-Vested Withdrawal*	Vested Withdrawal**	Retirement***	Death	Disability
		Men			
25	13.0%	11.0%	--	.1%	.1%
30	10.0	10.0	--	.1	.1
35	10.0	5.0	--	.1	.1
40	10.0	1.0	--	.2	.1
45	5.0	1.0	2.0%	.2	.2
50	1.0	1.0	3.0	.3	.4
55	1.0	1.0	4.0	.5	.7
60	1.0	1.0	10.0	1.0	1.3
64	1.0	1.0	30.0	1.6	1.8
65	1.0	1.0	75.0	1.8	2.0
69	1.0	1.0	30.0	2.8	3.7
		Women			
25	10.0%	10.0%	--	.03%	.1%
30	8.0	5.0	--	.04	.1
35	7.0	3.0	--	.05	.1
40	5.0	2.0	--	.07	.1
45	3.0	1.0	2.0%	.10	.2
50	2.0	1.0	4.0	.16	.4
55	2.0	1.0	5.0	.29	.7
60	2.0	1.0	9.0	.54	1.3
64	2.0	1.0	30.0	.88	1.8
65	2.0	1.0	75.0	.99	2.0
69	2.0	1.0	30.0	1.6	3.7

*For first 5 years of service
**After first 5 years of service
***For bargaining employees, rates are 50% prior to age 65.

Ontonagon

Annual Rate of

Age	Withdrawal* and Vesting	Disability	Retirement	Death
		Men		
25	11.0%	0.1%	--	0.1%
30	10.0	0.1	--	0.1
35	5.0	0.1	--	0.1
40	1.0	0.1	--	0.2
45	1.0	0.2	2.0%	0.2
50	1.0	0.4	3.0	0.3
55	1.0	0.7	4.0	0.5
60	1.0	1.3	10.0	1.0
65	1.0	2.0	75.0	1.8
69	1.0	3.7	30.0	2.8
		Women		
25	10.0%	0.1%	--	--
30	5.0	0.1	--	--
35	3.0	0.1	--	0.1%
40	2.0	0.1	--	0.1
45	1.0	0.2	2.0%	0.1
50	1.0	0.4	4.0	0.2
55	1.0	0.7	5.0	0.3
60	1.0	1.3	9.0	0.5
65	1.0	2.0	75.0	1.0
69	1.0	3.7	30.0	1.6

*For first 5 years of service
**After first 5 years of service

All Other Telephone Companies

Annual Rate of

Age	Non-Vested Withdrawal*	Vested Withdrawal**	Retirement	Death	Disability
		Men			
25	13.0%	11.0%	--	.1%	.1%
30	10.0	10.0	--	.1	.1
35	10.0	5.0	--	.1	.1
40	10.0	1.0	--	.2	.1
45	5.0	1.0	2.0%	.2	.2
50	1.0	1.0	3.0	.3	.4
55	1.0	1.0	4.0	.5	.7
60	1.0	1.0	10.0	1.0	1.3
64	1.0	1.0	30.0	1.6	1.8
65	1.0	1.0	75.0	1.8	2.0
69	1.0	1.0	30.0	2.8	3.7
		Women			
25	10.0%	10.0%	--	.03%	.1%
30	8.0	5.0	--	.04	.1
35	7.0	3.0	--	.05	.1
40	5.0	2.0	--	.07	.1
45	3.0	1.0	2.0%	.10	.2
50	2.0	1.0	4.0	.16	.4
55	2.0	1.0	5.0	.29	.7
60	2.0	1.0	9.0	.54	1.3
64	2.0	1.0	30.0	.88	1.8
65	2.0	1.0	75.0	.99	2.0
69	2.0	1.0	30.0	1.6	3.7

*For first 5 years of service
**After first 5 years of service

EXHIBIT A-1

SUMMARY OF 1994 MONTHLY MEDICAL PREMIUMS

	Under Age 65		At Least Age 65	
	Retiree	Spouse	Retiree	Spouse
Rochester Telephone Company	$158.45	$198.43	$67.25	$67.25
Ausable Valley – Management	155.14	85.00 *	121.94	121.94
Ausable Valley – Non-Management	155.14	214.01	121.94	121.94
Canton – Thalia Machner	NA	NA	106.00	NA
Canton – Clarence Reinhard	NA	NA	110.50	NA
C,C,&S	139.81	213.54	NA	NA
Depue	157.16	247.38	126.66	126.66
Enterprise	NA	NA	NA	NA
Fairmount	184.95	184.95	131.07	131.07
Highland	183.83	258.73	117.27	117.27
Illinois Telco. Group	171.81	311.54	141.24	141.24
Lakeshore	One Individual (family rate = $307.39)		194.20	194.20
Mid-South	120.95	NA	NA	NA
Mondovi	196.43	292.64	161.11	161.11
Monroeville	197.63	290.74	NA	NA
Mt. Pulaski	171.81	310.12	141.26	141.26
Ontonagon	152.11	195.89	108.68	108.68
Orion	NA	NA	200.07	160.39
Oswayo	217.78	336.67	175.52	175.52
Schuyler	183.23	288.96	149.84	149.84
Seneca Gorham	175.86	NA	130.59	NA
Southland	164.08	238.67	129.61	129.61
Sylvan Lake	140.99	192.44	120.19	120.19
Thorntown	145.87	230.86	112.98 **	112.98 **
Urban	One Individual (family rate = $305.35)		NA	NA
Viroqua	229.80	NA	109.79	NA
Vista	190.58	257.50	164.41	164.41

* Company share (frozen).

** Rates are for individuals ages 65-70. For individuals over age 70 monthly rate equals $136.12.

EXHIBIT A–2

ILLUSTRATION OF TREATMENT OF ACTUARIAL GAINS AND LOSSES WITHIN THE CORRIDOR FOR COMPANIES SUBJECT TO REGULATION BY THE NEW YORK STATE PUBLIC SERVICE COMMISSION

I.	Assume the 1994 valuation produces the following results:		
	A. 10% corridor:	$10,000,000	
	B. 1994 total gain:	$15,000,000	
	C. 1994 in corridor gain subject to 10 year amortization:	$10,000,000	B. not greater than 10% of A.
	D. Annual amortization of in corridor gain:	$1,000,000	C. divided by 10 years
II.	Assume Scenario I for the 1995 valuation:		
	A. 10% corridor:	$13,000,000	
	B. 1995 total unrecognized gain:	$20,000,000	
	C. Unrecognized 1994 in corridor gain:	$9,000,000	I–C. minus I–D.
	D. 1995 in corridor gain subject to 10 year amortization:	$4,000,000	(B. not greater than A.) minus C.
	E. Annual amortization of 1995 in corridor gain:	$400,000	D. divided by 10 years
	F. Total 1995 amortization of in corridor gain:	$1,400,000	I–D. plus II–E.
III.	Assume Scenario II for the 1995 valuation:		
	A. 10% corridor:	$13,000,000	
	B. 1995 total unrecognized gain:	$4,000,000	
	C. Unrecognized 1994 in corridor gain:	$9,000,000	I–C. minus I–D.
	D. 1995 in corridor (loss) subject to 10 year amortization:	($5,000,000)	(B. not greater than A.) minus C.
	E. Annual amortization fo 1995 in corridor (loss):	($500,000)	D. divided by 10 years
	F. Net 1995 amortization of in corridor gain:	$500,000	I–D. plus III–E.

EXHIBIT B

SUMMARY OF BENEFIT PROVISIONS FOR VALUATION PURPOSES

Exhibit B-1 summarizes the key nonpension postretirement benefit provisions as interpreted for the January 1, 1994 FAS 106 valuation. The eligibility for benefits, duration of coverage and level of benefits for Medicare Part B premium reimbursement, telephone discounts, health care reimbursements and life insurance vary by Company.

The retiree cost-sharing provisions for medical benefits also vary by Company as follows:

- **Rochester Telephone Company** regulated and deregulated management employees retiring on or after January 1, 1993 will contribute 50% of premium costs for 1996 and after. Regulated contributions equal 30% and 40% of premiums for 1994 and 1995, respectively and deregulated contributions equal 35% and 40% of premiums for 1994 and 1995, respectively.

- Non-union employees of **Ausable Valley** and **Highland** retiring on or after January 1, 1993 will have their current contribution rates increased by 50% of future increases in total medical premiums from 1993.

- Non-union employees at **Mt. Pulaski, Schuyler, Sylvan Lake and Thorntown** retiring on or after January 1, 1993 also share equally with the Company any increases in total medical premiums from 1993.

- Retirees of **Seneca Gorham** contribute 10% for single coverage and 100% of the additional cost to cover their dependent spouses.

- Five of the six retirees with medical benefits at **Monroeville** pay a fixed flat dollar contribution towards the cost of their medical and dental coverage.

- At **Vista**, bargaining unit employees retiring on or after January 1, 1996 and non-union employees retiring on or after January 1, 1994 contribute prior to age 65 based on a service related schedule.

- While under age 65, non-union employees at **Viroqua** retiring on or after January 1, 1993 pay the greater of 50% of future increases in medical premiums from 1993 and the balance of medical premiums after the Company contribution of 2% times year of service at retirement. Upon attaining age 65, non-union employees retiring on or after January 1, 1993 will contribute 50% of future increases in total medical premiums from 1993.

All other current or future retirees with medical benefits are assumed to have non-contributory coverage.

EXHIB -1

POSTRETIREMENT NONPENSION BENEFITS VALUATION
SUMMARY OF PRINCIPAL BENEFIT PROVISIONS

	ELIGIBILITY	DURATION OF MEDICAL COVERAGE	MEDICARE PART B PREMIUM REIMBURSEMENT	HEALTH CARE REIMBURSEMENT ACCOUNT	MONTHLY TELEPHONE DISCOUNT	LIFE INSURANCE
ROCHESTER TELEPHONE MANAGEMENT	Age 50 & 25 Years of Service Age 55 & 20 Years of Service 30 Years of Service Age 65 & 5 Years of Service	Retiree: Life Spouse: Life of Retiree	Yes	$125.00/year	$36.75	1 x salary reduced 10% per year starting at age 66 until 50% at age 70
ROCHESTER TELEPHONE NON-MANAGEMENT - CWA	Same as Rochester Telephone Management	Retiree: Life Spouse: Life of Retiree	Yes Frozen @ $28.60	$125.00/year	$36.75	1 x salary reduced 10% per year starting at age 66 until 50% at age 70
ROCHESTER TELEPHONE NON-MANAGEMENT - RTWA	Same as Rochester Telephone Management	Retiree: Life Spouse: Life of Retiree	Yes Frozen @ $29.90	$125.00/year	$36.75	1 x salary reduced 10% per year starting at age 66 until 50% at age 70
RCI, ROTELCOM, RTMC, & DSI - MANAGEMENT	Same as Rochester Telephone Management	Retiree: Life Spouse: Life of Retiree	Yes	$125.00/year	$36.75	1 x salary reduced 10% per year starting at age 66 until 50% at age 70
AUSABLE VALLEY MANAGEMENT	Age+Service=80 Age 55 & 15 Years of Service 30 Years of Service Age 65	Retiree: Life Spouse: Life of Spouse	Yes	None	$24.88	2 x salary prior to age 65 1.3 x salary from ages 65 - 70 1 x salary from age 70
AUSABLE VALLEY NON-MANAGEMENT	Age+Service=80 Age 55 & 15 Years of Service	Retiree: Life Spouse: Life of Spouse	Yes	None	$24.88	$3,000
CANTON	Age 55 & Age+Service=80 30 Years of Service Age 65	Retiree: Life	None	None	$25.00	None
C,C,&S	Age 58 & 10 Years of Service	Retiree: To Age 65 Spouse: Retiree Age 65	None	None	None	None
CITIZEN'S	Age 55 & Age+Service=85 Age 65	NA	NA	NA	NA	75% of final salary not to exceed $50,000
DEPUE	Contract Employees	Retiree: Life Spouse: Life of Spouse	None	$107.99/month	None	Flat amount under contract (two retirees)

1. Rochester Telephone Company - Regulated Management employees retiring on or after January 1, 1994 were assumed to pay 30%, 40% and 50% of their medical premiums in 1994, 1995 and 1996 and thereafter, respectively.
2. Rochester Telephone Company - Deregulated Management employees retiring on or after January 1, 1994 were assumed to pay 35%, 40% and 50% of their medical premiums in 1994, 1995 and 1996 and thereafter, respectively.
3. Ausable Valley - Management employees retiring on or after January 1, 1994 were assumed to pay 16.5% of their medical premiums plus 50% of future increases.
4. For Rochester Telephone Company, 35% of current and future retirees were assumed to live outside the local calling region.
5. For Ausable Valley and Canton telephone companies, actual information was provided regarding current retirees living outside the local calling region. Future retirees were assumed to be 35% outside the local calling region.
6. One current retiree at Ausable Valley Telephone - Management was also assumed to be reimbursed $340/year for toll calls.

BUCK CONSULTANTS

EXHIB. -1
POSTRETIREMENT NONPENSION BENEFITS VALUATION
SUMMARY OF PRINCIPAL BENEFIT PROVISIONS

	ELIGIBILITY	DURATION OF MEDICAL COVERAGE	MEDICARE PART B PREMIUM REIMBURSEMENT	HEALTH CARE REIMBURSEMENT ACCOUNT	MONTHLY TELEPHONE DISCOUNT	LIFE INSURANCE
ENTERPRISE	Age 55 & Age+Service=75 Age 65 & 15 Years of Service	Retiree: Life Spouse: None	None	None	$15.00	None
FAIRMOUNT	Contract Employees	Retiree: Life Spouse: Life	None	None	None	None
HIGHLAND	Age+Service=80 Age 55 & 15 Years of Service 30 Years of Service Age 65	Retiree: Life Spouse: Life of Spouse	Yes	None	$47.00	2 x salary prior to age 65 1.3 x salary from ages 65 – 70 1 x salary from age 70
ILL. TELCO GROUP	Contract Employees	Retiree: Life Spouse: Life of Spouse	None	None	None	None
LAKESHORE	Contract Employees	Retiree: Life Spouse: Life of Spouse	Yes	None	$12.50	None
MID-SOUTH	Contract Employees	Retiree: To Age 65 Spouse: None	None	None	None	None
MONDOVI	Age+Service=85 Disabled at any age	Retiree: Life Spouse: Life of Retiree	Yes	None	None	None
MONROEVILLE	Contract Employees	Retiree: To Age 65 Spouse: To Retiree Age 65	None	None	None	None
MT. PULASKI	Age+Service=85 Age 65	Retiree: Life Spouse: Life of Retiree	None	None	None	None

1. Information was provided regarding current retirees living outside the local calling region at Fairmount and Highland telephone companies.
2. Fairmount, Mondovi and Monroeville Telephone Company medical premiums include dental coverage.
3. 35% of future retirees at Enterprise Telephone Company were assumed to live outside the local calling region.
4. 30% of future retirees at Highland Telephone Company were assumed to live outside the local calling region.
5. Highland Telephone non-union employees retiring on or after January 1, 1994 were assumed to pay 10% of the single medical premium and 23% of the family medical premium plus 50% of future increases.
6. Mt. Pulaski employees retiring on or after January 1, 1994 were assumed to pay 50% of future increases in their medical premiums.
7. Retirees of Monroeville Telephone were assumed to pay flat, fixed dollar contributions towards their medical coverages.

EXHIB -1
POSTRETIREMENT NONPENSION BENEFITS VALUATION
SUMMARY OF PRINCIPAL BENEFIT PROVISIONS

	ELIGIBILITY	DURATION OF MEDICAL COVERAGE	MEDICARE PART B PREMIUM REIMBURSEMENT	HEALTH CARE REIMBURSEMENT ACCOUNT	MONTHLY TELEPHONE DISCOUNT	LIFE INSURANCE
ONTONAGON *	Age+Service=85 Age 55 & 30 Years of Service Age 65 & 10 Years of Service 25 Years of Service	Retiree: Life Spouse: Life of Spouse	Yes	None	<u><25 years service</u> $17.00 <u>25+ years service</u> Up to $75.00	None
ORION	Contract Employees	Retiree: Life Spouse: Life of Spouse	Yes	None	None	None
OSWAYO	Contract Employees	Retiree: Life Spouse: Life of Spouse	Yes (one retiree only)	None	$22.00 (one retiree only)	$4,400 (one current retiree only)
SCHUYLER	Age 62 & 25 Years of Service	Retiree: Life Spouse: Life of Spouse	None	None	$22.81	None
SENECA GORHAM	Age+Service=80 Age 55 & 15 Years of Service 30 Years of Service Age 65	Retiree: Life Spouse: None	None	None	$21.50	None
SOUTHLAND	Employees retired prior to 1/1/94	Retiree: Life Spouse: Life of Retiree	None	None	None	2 x salary prior to age 65, $10,000 thereafter (Only those retired prior to 8/1/91)
SYLVAN LAKE MANAGEMENT	Age+Service=80 Age 55 & 15 Years of Service 30 Years of Service Age 65	Retiree: Life Spouse: Life of Spouse	Yes	None	$41.50	2 x salary prior to age 65 1.3 x salary from ages 65 - 70 1 x salary from age 70
SYLVAN LAKE NON-MANAGEMENT	Age 55 & 15 Years of Service Age 65	Retiree: Life Spouse: Life of Spouse	Yes	None	$41.50	None
THORNTOWN	Age 65 & 15 Years of Service 30 Years of Service Disabled at any age	Retiree: Life Spouse: Life of Retiree	Yes	None	None	None

1. 35% of future retirees at Ontonagon, Schuyler, Seneca Gorham and Sylvan Lake Telephone Companies were assumed to live outside the local calling region.
2. Schuyler, Sylvan Lake Management and Thorntown Telephone employees retiring on or after January 1, 1994 were assumed to pay 50% of future increases in their medical premiums.
3. Seneca Gorham retirees were assumed to pay 10% towards the cost of their medical coverage plus 100% of their spouse's.
4. Oswayo and Schuyler Telephone Company medical premiums include dental coverage.

EXHIB. -1
POSTRETIREMENT NONPENSION BENEFITS VALUATION
SUMMARY OF PRINCIPAL BENEFIT PROVISIONS

	ELIGIBILITY	DURATION OF MEDICAL COVERAGE	MEDICARE PART B PREMIUM REIMBURSEMENT	HEALTH CARE REIMBURSEMENT ACCOUNT	MONTHLY TELEPHONE DISCOUNT	LIFE INSURANCE
URBAN	Age 55 & 15 Years of Service	Retiree: To Age 65 Spouse: To Age 65		$100 times years of service/lumpsum $350/month/contract to age 65 for window retirees		None
VIROQUA	Age 55 & 25 Years of Service Age 60 Disabled at any age	Retiree: Life Spouse: None	None	None	None	None
VISTA	Age 55 & 5 Years of Service	Retiree: Life Spouse: Life of Retiree	None	None	None	50% of final pay not to exceed $40,000

1. Viroqua Telephone employees retiring on or after January 1, 1994 were assumed to pay 50% of future increases in their medical premiums.
2. Medical premiums for current retirees of Vista Telephone Company were based on actual plan enrollments as provided by the Company.

EXHIBIT C

OVERVIEW OF FAS 106 ACCOUNTING RULES

COMPONENTS OF RECONCILIATION OF FUNDED STATUS

1. **Expected Postretirement Benefit Obligation (EPBO).** The EPBO represents the lump sum present value of the employer's share of costs for all future benefits expected to be provided under the plan for all current participants (active or retired). It reflects the timing, amount and likelihood of all future benefits (including the effect of medical trend). It also takes into account future expected participant contributions and is discounted for the time value of money.

2. **Accumulated Postretirement Benefit Obligation (APBO).** The APBO is defined as the portion of the EPBO attributable to service rendered prior to the measurement date.

3. **Present Value of Future Service Cost.** This represents the portion of the EPBO attributable to service that is expected to be rendered subsequent to the measurement date.

4. **Fair Value of Plan Assets.** Plan assets are assets segregated and legally restricted for the sole purpose of providing the benefit.

5. **Funded Status.** This is the net of the APBO and Plan Assets.

6. **Prior Service Cost.** This represents the additions to the APBO (or reductions in APBO) as a result of plan amendments.

7. **Gains and Losses.** This represents changes in the APBO due to experience different from expected, and due to changes in actuarial assumptions.

8. **Net Transition Obligation.** The initial transition obligation is the excess of the APBO over the amount previously accrued and/or funded for postretirement welfare benefits. The transition obligation is determined only once, as of the beginning of the period in which the Company adopts FAS 106. The Company has the option, in the year of adoption, to either immediately recognize the full transition obligation or amortize it on a straight line basis.

9. **Accrued/Prepaid Postretirement Benefit Cost.** This is the amount previously recognized for postretirement welfare benefits recorded on Company financial statements.

10. **Net Periodic Postretirement Benefit Cost.** This represents the annual cost which must be recognized for postretirement welfare benefits. The six components of this accrual expense are described in further detail on Page 2.

11. **Pay-As-You-Go Expense.** This represents the amount that is paid for the plan year.

EXHIBIT C

COMPONENTS OF FAS 106 NET PERIODIC POSTRETIREMENT BENEFIT COST

1. **Service cost.** The service cost represents that portion of the EPBO attributable to the current year of service. Only active employees not yet fully eligible for benefits would have a service cost under the prescribed attribution method.

2. **Interest cost.** The interest cost represents one year's interest on the APBO at the rate used to discount the present value of future benefits. This amount is also adjusted for interest on the cash benefit payments during the year.

3. **Amortization of the initial unrecognized net obligation at transition.** If the employer opts to amortize the Transition Obligation, a level principal amount is charged as a component of the periodic expense each year. The amortization period is equal to the average future working lifetime of all employees expected to receive benefits. A minimum amortization period of 20 years is permitted. An additional amount would be recognized if the cumulative benefit payments exceed the cumulative net periodic cost.

4. **Amortization of unrecognized prior service cost.** In years following the initial year of application, expense might also reflect a component for amortization of unrecognized prior service cost. The prior service cost will be amortized over the expected future working lifetime of employees not yet fully eligible to retire, but only to the point at which they become fully eligible for those benefits. Note that the Standard does not permit immediate recognition of negative plan amendments. Also, recognition of prior service cost would be accelerated in certain situations (e.g., settlements and curtailments).

5. **Amortization of unrecognized gains and losses.** Gains and losses may be recognized immediately, or on a delayed basis with a 10% corridor approach available (as is the case in FAS 87). When using a delayed approach, any gains or losses that fall outside the corridor will be amortized on a straight-line basis over the average future working lifetime of employees expected to receive benefits. Note that any gains or losses attributable to a deviation from the Substantive Plan would be recognized immediately. As with the recognition of prior service costs, this component would only apply in the second and succeeding years.

6. **Expected return on plan assets.** This component is a credit to the periodic cost and represents the investment return expected to be earned on plan assets using a long term rate of return assumption. Obviously, for unfunded plans, this component would be zero. An after-tax return should be used if the return is taxable to the funding vehicle.

EXHIBIT C

OTHER FAS 106 DEFINITIONS

1. **Attribution Period.** The attribution period generally begins on an employee's date of hire. Special rules apply if the plan formula only recognizes service from a later date. The attribution period always ends on the full eligibility date.

2. **Disclosure.** FAS 106 requires substantial footnote disclosure intended to enhance the utility of the financial statements. Page 4 shows the disclosure requirements.

3. **Effective Date.** These accounting rules are generally effective for fiscal years beginning after December 15, 1992.

4. **Full Eligibility Date.** This is the date at which an employee has completed all years of service necessary to be entitled to all of the benefits that the employee is expected to receive under the plan.

5. **Substantive Plan.** This represents terms of the plan as mutually understood by the Company and the participants. The substantive plan generally relates to whether the cost-sharing features of the plan (i.e., contributions, deductibles, out-of-pocket maximums and lifetime maximums) will remain level or increase in the future as indicated by past practice.

EXHIBIT C

FAS 106 FOOTNOTE DISCLOSURES

For each postretirement plan, the employer will be required to disclose:

- A description of the plans including groups covered and the nature and effect of significant matters affecting comparability with prior periods. The description should include any projected benefit changes that were reflected in the Substantive Plan.
- The amount of the net periodic postretirement benefit cost and the individual components of that cost.
- A schedule reconciling the funded status of the plans with the amounts reflected on the balance sheet. The APBO would be reported in separate components for retirees, fully eligible active employees, and non-eligible employees.
- The weighted-average assumed discount rate and the rate of return on plan assets.
- The assumed health care cost trend rates used to project eligible expenses for the next year. For subsequent years, a more general description of the direction and pattern of the trend rate, and when that rate is reached, as well as the ultimate trend, would be required.
- The effect of a one percentage-point increase in the assumed health care cost trend rates on the APBO and sum of the service and interest cost components of periodic expense.
- The gain or loss recognized due to a settlement or curtailment.
- The cost of providing special or contractual termination benefits.

TABLE A-1
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS VALUATION
AS OF JANUARY 1, 1994
(Numbers may not add due to rounding)

GROUP: **ROCHESTER TELEPHONE - REGULATED (Includes CWA and RTWA)**

	Lives	Health Insurance -and- Telephone Discount	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/93				
Accumulated Postretirement Benefit Obligation (APBO)				
Retirees	1,433	($45,912,980)	($6,518,595)	($52,431,575)
Actives Fully Eligible to Retire	458	(15,694,013)	(2,519,299)	(18,213,312)
All Others	1,633	(17,246,683)	(1,932,731)	(19,179,414)
Total APBO		($78,853,676)	($10,970,625)	($89,824,301)
Plan Assets at Fair Value		0	3,943,904	3,943,904
Funded Status		($78,853,676)	($7,026,721)	($85,880,397)
Unrecognized Transition Obligation		78,755,109	6,411,533	85,166,642
Unrecognized Net Prior Service Cost		0	0	0
Unrecognized Net (Gain)/Loss		(8,152,072)	(856,173)	(9,008,245)
Unrecognized Special Termination Benefit		0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost		($8,250,639)	($1,471,361)	($9,722,000)
Periodic Postretirement Benefit cost for 1994				
ervice Cost		$546,974	$117,137	$664,111
Interest Cost		5,770,830	815,935	6,586,765
Expected Return on Assets		0	(349,662)	(349,662)
Amortization of:				
Transition Obligation		4,145,006	337,449	4,482,455
Prior Service Cost		161,808	32,975	194,783
Gains and Losses		(805,102)	(85,617)	(890,719)
Total Net Periodic Expense		$9,819,516	$868,217	$10,687,733
Projected Pay-As-You-Go Cost		$3,676,565	$480,491	$4,157,056

Notes:

1. Discount rate equals 7.25% per annum.
2. Prior service cost is amortized over 15.9 years beginning 4/1/94. Unrecognized gains are amortized over 10 years up to the 10% corridor and are amortized over 16.1 years above the 10% corridor.

TABLE A-2
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS VALUATION
AS OF JANUARY 1, 1994
(Numbers may not add due to rounding)

GROUP: **RCI**

	Lives	Health Insurance -and- Telephone Discount	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/93				
Accumulated Postretirement Benefit Obligation (APBO)				
Retirees	0	$0	$0	$0
Actives Fully Eligible to Retire	3	(75,174)	(17,986)	(93,160)
All Others	165	(338,819)	(67,557)	(406,376)
Total APBO		($413,993)	($85,543)	($499,536)
Plan Assets at Fair Value		0	0	0
Funded Status		($413,993)	($85,543)	($499,536)
Unrecognized Transition Obligation		737,060	172,891	909,951
Unrecognized Net Prior Service Cost		0	0	0
Unrecognized Net (Gain)/Loss		(467,729)	(119,103)	(586,832)
Unrecognized Special Termination Benefit		0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost		($144,662)	($31,755)	($176,417)
Periodic Postretirement Benefit cost for 1994				
Service Cost		$17,944	$4,002	$21,946
Interest Cost		45,710	9,767	55,477
Amortization of:				
Transition Obligation		38,793	9,100	47,892
Prior Service Cost		13,741	3,119	16,860
Gains and Losses		(18,376)	(4,765)	(23,141)
Total Net Periodic Expense		$97,812	$21,222	$119,034
Projected Pay-As-You-Go Cost		$155	$12	$167

Notes:

1. Discount rate equals 7.25% per annum.
2. Prior service cost is amortized over 15.9 years beginning 4/1/94. Unrecognized losses in excess of the 10% corridor are amortized over 23.2 years beginning 1/1/94.

TABLE A-3
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS VALUATION
AS OF JANUARY 1, 1994
(Numbers may not add due to rounding)

GROUP: **ROTELCOM**

	Lives	Health Insurance – and – Telephone Discount	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/93				
Accumulated Postretirement Benefit Obligation (APBO)				
Retirees	0	$0	$0	$0
Actives Fully Eligible to Retire	2	(50,179)	(14,000)	(64,179)
All Others	40	(141,221)	(31,748)	(172,969)
Total APBO		($191,400)	($45,748)	($237,148)
Plan Assets at Fair Value		0	0	0
Funded Status		($191,400)	($45,748)	($237,148)
Unrecognized Transition Obligation		857,587	169,463	1,027,051
Unrecognized Net Prior Service Cost		0	0	0
Unrecognized Net (Gain)/Loss		(833,206)	(155,528)	(988,735)
Unrecognized Special Termination Benefit		0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost		($167,019)	($31,813)	($198,832)
Periodic Postretirement Benefit cost for 1994				
Service Cost		$6,135	$1,512	$7,647
Interest Cost		19,260	4,643	23,903
Amortization of:				
Transition Obligation		45,136	8,919	54,055
Prior Service Cost		4,715	1,162	5,877
Gains and Losses		(35,089)	(6,507)	(41,596)
Total Net Periodic Expense		$40,157	$9,729	$49,886
Projected Pay-As-You-Go Cost		$87	$10	$97

Notes:
1. Discount rate equals 7.25% per annum.
2. Prior service cost is amortized over 15.9 years beginning 4/1/94. Unrecognized losses in excess of the 10% corridor are amortized over 23.2 years beginning 1/1/94.

TABLE A-4
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS VALUATION
AS OF JANUARY 1, 1994
(Numbers may not add due to rounding)

GROUP: **RTMC**

	Lives	Health Insurance –and– Telephone Discount	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/93				
Accumulated Postretirement Benefit Obligation (APBO)				
Retirees	0	$0	$0	$0
Actives Fully Eligible to Retire	1	(23,299)	(2,092)	(25,391)
All Others	42	(162,567)	(43,345)	(205,912)
Total APBO		($185,866)	($45,437)	($231,303)
Plan Assets at Fair Value		0	0	0
Funded Status		($185,866)	($45,437)	($231,303)
Unrecognized Transition Obligation		274,418	54,226	328,644
Unrecognized Net Prior Service Cost		0	0	0
Unrecognized Net (Gain)/Loss		(141,750)	(19,302)	(161,052)
Unrecognized Special Termination Benefit		0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost		($53,199)	($10,512)	($63,711)
Periodic Postretirement Benefit cost for 1994				
Service Cost		$5,414	$1,338	$6,752
Interest Cost		18,370	5,273	23,643
Amortization of:				
Transition Obligation		14,443	2,854	17,297
Prior Service Cost		4,601	1,731	6,332
Gains and Losses		(5,309)	(636)	(5,945)
Total Net Periodic Expense		$37,519	$10,560	$48,079
Projected Pay-As-You-Go Cost		$44	$1	$45

Notes:
1. Discount rate equals 7.25% per annum.
2. Prior service cost is amortized over 15.9 years beginning 4/1/94. Unrecognized losses in excess of the 10% corridor are amortized over 23.2 years beginning 1/1/94.